

Ag Decision Maker

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Will crop insurance cover Asian soybean rust in 2005?

by William Edwards, extension economist, (515) 294-6161, wedwards@iastate.edu

Handbook updates

For those of you subscribing to the handbook, the following updates are included.

Monthly Returns (10 year summary: Swine Farrow to Finish) – B1-31 (2 pages)

Monthly Returns (10 year summary: Finishing Feeder Pigs) – B1-34 (1 page)

Monthly Returns (10 year summary: Cattle Feeding) – B1-36 (2 pages)

Hog Price Changes by Two-week Periods – B2-15 (1 page)

Crop Share Leasing Provisions – C2-30 (1 page)

2004 Farmland Value Survey – C2-70 (4 pages)

Please add these files to your handbook and remove the out-of-date material.

Internet updates

Multiple peril crop insurance (MPCI) has been available to grain farmers in the United States since the 1930s. It covers a wide range of damages caused by weather, pests and other natural causes. Asian soybean rust is just the latest of many hazards that fall under causes of insurable losses. All of the current MPCI policies contain the same basic language regarding the insured farmer's responsibilities, including both the basic yield insurance and the various revenue insurance products.

Good farming practices

Coverage is not extended in the case of "failure to follow recognized good farming practices for the insured crop." Good farming practices are defined as "...production methods utilized to produce the insured crop and allow it to make normal progress toward maturity and produce at least the yield used to determine the

production guarantee or amount of insurance. ..." and those "...generally recognized by agricultural experts for the area." In other words, farmers must make a good faith effort to combat crop pests when crop consultants and Extension specialists recommend it.

When a new pest emerges, the definition of good farming practices may not be well established. Limitations that arise due to weather conditions or availability of products to combat pests will be taken into account. The Risk Management Agency of the U.S. Department of Agriculture states: "Therefore,

continued on page 2

Inside . . .

Wildlife recreation: Rural America's newest billion dollar industry Page 2

Learn management and marketing over the Internet Page 4

Will crop insurance cover Asian soybean rust in 2005?, continued from page 1

losses to soybean production due to soybean rust disease is an insurable cause of loss provided the insured can verify that the cause was natural and available control measures were properly applied. If there are no effective control measures available or there are insufficient amounts of chemicals available for effective control, resulting loss of production would be covered." For the complete text of the RMA statement, visit the following web site:

<http://www.rma.usda.gov/news/2004/07/715soybeanrust.html>

Group risk policies

In many cases, the actions of an individual farmer are measured against the most common responses in a particular area. For example, not treating for a certain pest would more likely be acceptable if many farmers in a county were unable to do, instead of only one. Producers

who purchase a group risk policy, such as Group Risk Protection or Group Risk Income Protection, will have their indemnity payments determined by county average yields, not individual yields. Policyholders who are certified as organic soybean producers would not have to follow any non-organic cultural practices.

The best advice for any new pest such as Asian soybean rust is to be alert for its appearance, follow recommendations of pest management specialists, document conditions in your own crop, and communicate with your crop insurance agent.

Wildlife recreation: Rural America's newest billion dollar industry

By: Jason Henderson, Economist, Center for the Study of Rural America, Federal Reserve Bank of Kansas City, jason.henderson@kc.frb.org

In today's search for the next billion dollar industry to revitalize Main Streets, many rural leaders are again pinning their hopes on nature. New opportunities are not arising from traditional sources commodity industries like agriculture or mining. Tomorrow's opportunity may well be wildlife related recreation—already a \$108 billion industry nationwide.

In many rural places, hunting, fishing, and wildlife watching have boosted rural tourism, spurred business growth, and contributed to strong land value gains. The brightest prospects though, still lie ahead. Rural communities fortunate enough to have other amenities to complement their natural resource base are in the best position to reap new economic benefits from this booming industry.

According to the U.S. Fish & Wildlife Service, 82 million people participated in wildlife-related recreation activity in 2001, the latest

data is available in chart 1. The largest number, roughly 66 million people, took part in wildlife watching. Millions more engaged in fishing and hunting. A significant number of outdoor enthusiasts participated in two or more types of wildlife recreation.

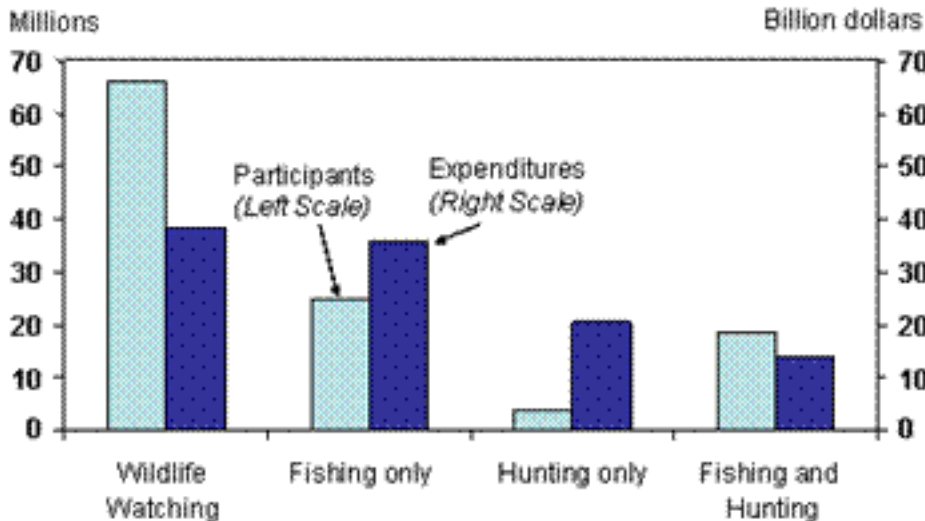
Recreational expenditures

Wildlife recreationers spent \$108 billion on wildlife-related recreation expenditures in 2001. To put that in perspective, that amount was more than the total cash receipts of the U.S. livestock industry in the same year.

While wildlife watching was the most popular activity, anglers and hunters still spent the most on wildlife recreation. They spent roughly \$70 billion in 1991, compared to \$38 billion by wildlife watchers. During the 1990s, hunting dollars surged 29%, while wildlife watching dollars rose 16%.

Wildlife recreation: Rural America's newest billion dollar industry, continued from page 2

Chart 1: U.S. Wildlife-Related Recreation in 2001



Calculations based on U.S. Fish and Wildlife Service data

Wildlife recreationers divided their spending on a variety of goods and services. More than half of their dollars went to equipment purchases. Trip costs— food, lodging, and transportation — accounted for 14% and 10% of wildlife recreation expenditures, respectively. Another 12% came from the leasing or ownership of land for wildlife recreation.

Economic impact

The industry has made a significant economic impact in rural regions, and many rural places are targeting wildlife recreation as a tourist attraction. Populated states such as Florida and California typically lead the nation in total expenditures on wildlife recreation. Per capita spending was highest in Alaska, Wyoming, Montana, South Dakota, Maine, Idaho, Wisconsin, Vermont, Utah, and Oregon (Chart 2). In addition, many rural states have been able to attract out-of-state tourists for wildlife recreation. For example, Alaska, South

Dakota, Wyoming, and Montana have led the nation in per capita expenditures by out-of-state residents for wildlife recreation.

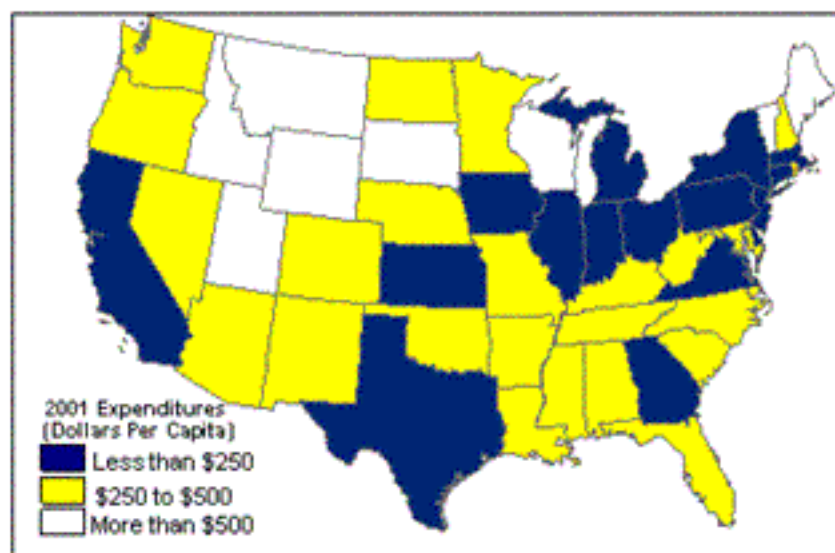
Rural businesses have been the primary beneficiary of the wildlife recreation industry. Cabella's (Sidney, Nebraska) and Bass Pro Shop (Springfield, Missouri) have emerged as leading retailers of wildlife equipment.

These businesses have made huge expansions, both in rural locations and as hubs of urban revitalization. Wildlife recreation is also a factor in the sharp rise in rural land values.

Nonfarmer land purchases

Recreation activities are motivating farmland purchases by nonfarmers. Over half of the ag bankers surveyed in the Kansas City district in

Chart 2: Wildlife-Related Recreation Expenditures



Calculations based on U.S. Fish and Wildlife Service data

continued on page 4

Wildlife Recreation: Rural America's Newest Billion Dollar Industry, continued from page 3

2003 reported that recreation was a reason for investor (nonfarmer) purchases of farmland. In 2001, wildlife recreationers spent over \$12 billion on land leasing and ownership.

Higher land values, however, are evidence that wildlife recreation also poses some serious challenges for rural communities. Recreational use may not always be complementary to traditional uses. In addition to higher land costs for farmers, land taken out of agricultural production for recreational use reduces the potential customer base for traditional agricultural service providers. And, wildlife recreation is often a seasonal activity, meaning that additional economic opportunities are needed for the off-season.

Still, wildlife recreation appears to be a growing way to attract wealthy recreationers to rural places. Many of the wildlife recreation participants have above-average income levels and reside in metro areas. For example, over 20% of the people with incomes higher than \$35,000 are likely to fish, while less than 15% of those with incomes below \$25,000 fished. Metro residents accounted for 59%, 72%, and 76% of hunting, fishing, and wildlife watchers, respectively.

Tourism opportunities

Wildlife recreation offers even more promise for rural communities with existing entertainment amenities. Tourists, even wildlife recreationers, often prefer places with amenities beyond scenic landscapes and abundant wildlife. They eat at restaurants, sleep in hotels, and visit night spots. As a result, a growing number of hunting resorts that combine entertainment and wildlife are beginning to dot the rural landscape. To help draw customers, many of these resorts also offer off-season activities and promote other types of entertainment in the region. They clearly show that rural places with a regional identity that embraces both entertainment and wildlife amenities are probably in the best position to capture wildlife recreation's dollars.

Nature has always been a strong foundation for rural America. Now, wildlife recreation appears to be the newest opportunity. The industry may not be the answer for every rural community, but those with entertainment and wildlife may be able to leverage Mother Nature to spark new growth.

**Reprinted with permission, The Main Street Economist, April 2004, Center for the Study of Rural America, Federal Reserve Bank of Kansas City*



Learn management and marketing over the Internet

by William Edwards, Extension Economist, 515-294-6161, wedwards@iastate.edu

Are you just too busy to go to that seminar or Extension meeting this week, but you would really like to have the information? There are other options. Iowa State University Extension offers home study courses on a variety of management and marketing topics over the Internet. Farmers, landowners and other agri-business people can access the courses any time or place that they can connect to the Internet. They are part of the Agricultural Management e-School, or AMES for short.

AMES courses are designed for adult learners who want in-depth information on a topic. Most of the courses have a one-time enrollment fee of \$100, much less than for courses that carry college credit. Access is available indefinitely once the enrollment is completed, so learners can work through courses at their own pace. File sizes are kept small, so download time won't be long.

Nearly 500 people have signed up for AMES courses since they first became available. Most

continued on page 5

Learn Management and Marketing over the Internet, continued from page 4

of them cite the convenience of being able to log on at any time, any place, as the number one advantage. The authors of the courses, mostly ISU Extension economists, are available to answer questions by e-mail about the topics that are covered. Some courses have "threaded discussions," where enrollees can post questions and see responses from anyone else who is enrolled in the same course. Others will have group discussions scheduled by e-mail at specific times.

The Agricultural Management e-School Web site is at: www.extension.iastate.edu/ames/. Detailed information about each course is available there, including a free preview of each of the modules in every course. A short tutorial about how to use the different features of the course software is also available.

Other features found in AMES courses include:

- a list of references with further information on related topics, with direct Internet links
- a glossary with definitions of important terms, with direct links in the text
- multiple choice quizzes that are self-graded
- electronic spreadsheets that can be used to analyze the users' own management questions
- capability to print modules for future reference

Advanced grain marketing

Learn how to develop your own personal marketing plan. Topics include price trends, storage costs, cash marketing, futures and options, and how to use outlook information. New modules being added for 2005 will address fundamental and technical forecasting, USDA commodity programs, and new generation price contracts.

Financial decision making

Learn how to develop accurate and useful financial statements for your own business and for credit applications. Understand cash management, cash flow budgeting, asset

investment, financial trouble shooting, and how to work with your lender. Case studies are included, as well as spreadsheets for financial statements and analysis.

Farmland ownership

Learn about what factors affect land values, and how to analyze investments in agricultural land. Understand techniques that professional appraisers use to value farm properties.

Farm leasing arrangements

Learn about different types of farm leases, how to set fair rents for land and buildings, and how to negotiate an effective lease. Other topics include legal and tax considerations, USDA programs, environmental concerns, and custom farming agreements.

Farm machinery economics

Learn how to control machinery costs, how to compare leasing and ownership, and how to set custom hire rates. Other topics include joint machinery ownership, transferring ownership to the next generation, replacing equipment, estimating hauling and drying costs, and designing harvesting systems. Includes nine spreadsheets.

Lean hog marketing

Study seasonal and cyclical price movements, cash contracts, futures, options, and livestock revenue insurance. Learn about price forecasting and how to develop a swine marketing plan.

Quality management systems

Find out how to certify your business as compliant with accepted quality management system standards, and how to make processes such as internal audits, corrective actions, work protocols, and useful records work for you.

Future courses will treat topics such as risk management in dairy marketing, human resource management, production of identity preserved grain, and strategic planning for farm families. Watch the AMES Web site at www.extension.iastate.edu/ames/ for more details.

In addition to those listed above, the following updates have been added to www.extension.iastate.edu/agdm.

Conducting Market Research – C5-30 (3 pages)

Evaluating Alternative Types of Advertising – C5-42 (1 page)

Promoting Your Business – C5-43 (3 pages)

Steps for Using Trade Shows – C5-44 (2 pages)

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